


# The Super Rich Are Out of Sight

**January 2000**

The super rich, the less than 1 percent of the population who own the lion’s share of the nation’s wealth, go uncounted in most income distribution reports. Even those who purport to study the question regularly overlook the very wealthiest among us. For instance, the Center on Budget and Policy Priorities, relying on the latest U.S. Census Bureau data, released a report in December 1997 showing that in the last two decades “incomes of the richest fifth increased by 30 percent or nearly $27,000 after adjusting for inflation.” The average income of the top 20 percent was $117,500, or almost 13 times larger than the $9,250 average income of the poorest 20 percent.

But where are the super rich? An average of $117,500 is an upper-middle income, not at all representative of a rich cohort, let alone a super rich one. All such reports about income distribution are based on U.S. Census Bureau surveys that regularly leave Big Money out of the picture. A few phone calls to the Census Bureau in Washington D.C. revealed that for years the bureau never interviewed anyone who had an income higher than $300,000. Or if interviewed, they were never recorded as above the “reportable upper limit” of $300,000, the top figure allowed by the bureau's computer program. In 1994, the bureau lifted the upper limit to $1 million. This still excludes the very richest who own the lion’s share of the wealth, the hundreds of billionaires and thousands of multimillionaires who make many times more than $1 million a year. The super rich simply have been computerized out of the picture.

When asked why this procedure was used, an official said that the Census Bureau’s computers could not handle higher amounts. A most improbable excuse, since once the bureau decided to raise the upper limit from $300,000 to $1 million it did so without any difficulty, and it could do so again. Another reason the official gave was “confidentiality.” Given place coordinates, someone with a very high income might be identified. Furthermore, he said, high-income respondents usually understate their investment returns by about 40 to 50 percent. Finally, the official argued that since the super rich are so few, they are not likely to show up in a national sample.

But by designating the (decapitated) top 20 percent of the entire nation as the “richest” quintile, the Census Bureau is including millions of people who make as little as $70,000. If you make over $100,000, you are in the top 4 percent. Now $100,000 is a tidy sum indeed, but it's not super rich — as in Mellon, Morgan, or Murdock. The difference between Michael Eisner,

Disney CEO who pocketed $565 million in 1996, and the individuals who average $9,250 is not 13 to 1 — the reported spread between highest and lowest quintiles — but over 61,000 to 1.

Speaking of CEOs, much attention has been given to the top corporate managers who rake in tens of millions of dollars annually in salaries and perks. But little is said about the tens of billions that these same corporations distribute to the top investor class each year, again that invisible fraction of 1 percent of the population. Media publicity that focuses exclusively on a handful of greedy top executives conveniently avoids any exposure of the super rich as a class. In fact, reining in the CEOs who cut into the corporate take would well serve the big shareholder's interests.

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Two studies that do their best to muddy our understanding of wealth, conducted respectively by the Rand Corporation and the Brookings Institution and widely reported in the major media, found that individuals typically become rich not from inheritance but by maintaining their health and working hard. Most of their savings comes from their earnings and has nothing to do with inherited family wealth, the researchers would have us believe. In typical social-science fashion, they prefigured their findings by limiting the scope of their data. Both studies failed to note that achieving a high income is itself in large part due to inherited advantages. Those coming from upper-strata households have a far better opportunity to maintain their health and develop their performance, attend superior schools, and achieve the advanced professional training, contacts, and influence needed to land the higher paying positions.

More importantly, both the Rand and Brookings studies fail to include the super rich, those who sit on immense and largely inherited fortunes. Instead, the investigators concentrate on upper-middle-class professionals and managers, most of whom earn in the $100,000 to $300,000 range — which indicates that the researchers have no idea how rich the very rich really are.

When pressed on this point, they explain that there is a shortage of data on the very rich. Being such a tiny percentage, “they’re an extremely difficult part of the population to survey,” pleads Rand economist James P. Smith, offering the same excuse given by the Census Bureau officials. That Smith finds the super rich difficult to survey should not cause us to overlook the fact that their existence refutes his findings about self-earned wealth. He seems to admit as much when he says, "This [study] shouldn't be taken as a statement that the Rockefellers didn’t give to their kids and the Kennedys didn't give to their kids." (*New York Times,* July 7, 1995) Indeed, most of the really big money is inherited — and by a portion of the population that is so minuscule as to be judged statistically inaccessible.

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The higher one goes up the income scale, the greater the rate of capital accumulation. Economist Paul Krugman notes that not only have the top 20 percent grown more affluent compared with everyone below, the top 5 percent have grown richer compared with the next 15 percent. The top one percent have become richer compared with the next 4 percent. And the top 0.25 percent have grown richer than the next 0.75 percent. That top 0.25 owns more wealth than the other 99 percent combined. It has been estimated that if children’s play blocks represented $1,000 each, over 98 percent of us would have incomes represented by piles of

blocks that went not more than a few yards off the ground, while the top one percent would stack many times higher than the Eiffel Tower.

Marx's prediction about the growing gap between rich and poor still haunts the land — and the entire planet. The growing concentration of wealth creates still more poverty. As some few get ever richer, more people fall deeper into destitution, finding it increasingly difficult to emerge from it. The same pattern holds throughout much of the world. For years now, as the wealth of the few has been growing, the number of poor has been increasing at a faster rate than the earth's population. A rising tide sinks many boats.

To grasp the true extent of wealth and income inequality in the United States, we should stop treating the “top quintile” — the upper-middle class — as the "richest" cohort in the country. But to do that, we need to look beyond the Census Bureau's cooked statistics. We need to catch sight of that tiny, stratospheric apex that owns most of the world.

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